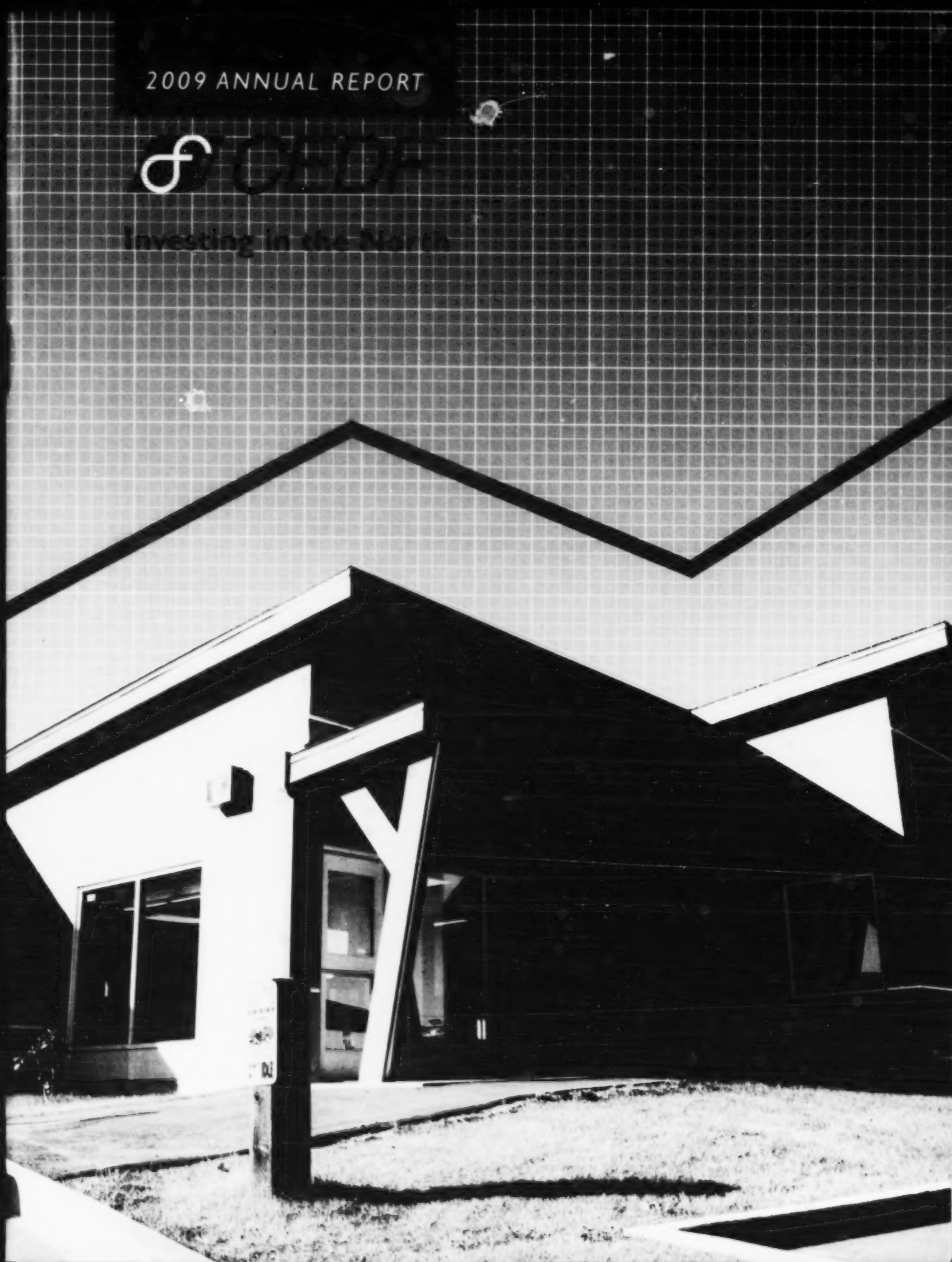
2009 ANNUAL REPORT

Investing in the North



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CEDF

TRANSMITTAL

CEDF

The Honourable Eric Robinson
Minister Responsible for the
Communities Economic Development Fund
Province of Manitoba
Room 344 Legislative Building
Winnipeg MB R3C 0V8

Dear Sir:

On behalf of the Board of Directors of the Communities Economic Development Fund, I am pleased to forward the Fund's Annual Report for the year ended March 31st, 2009.

The Fund continues to provide a stable source of capital to the region and works with government to advance Northern development. The organization is well positioned geographically as well as fiscally and through corporate structure to expand service to the region. We look forward to the opportunity.

Respectfully submitted,

H. Westdal

Harold Westdal
Chairperson

CORPORATE

DIRECTORS AND OFFICERS

Minister Responsible: The Honourable Eric Robinson

Board of Directors:

Chairperson:	Harold Westdal	Winnipeg
Directors:	Linda Ballantyne	Grand Rapids
	Rob Barbe	Winnipegosis
	Darlene Beck	Cross Lake
	Bill Cordell	Thompson
	Gavin Lawrie	Churchill
	Bob Veito	The Pas
	John R. Yellowback	God's River

OFFICERS:

General Manager & CEO:	R. Gordon Wakeling
CFO & Manager of Fisheries Loans Program:	Oswald Sawh

HEAD OFFICE

15 Moak Crescent
Thompson, Manitoba R8N 2B8
Telephone: (204) 778-4138
Fax: (204) 778-4313
Toll Free: 1-800-561-4315 (In Manitoba only)

FIELD OFFICES:

BUSINESS LOANS:

3 – 1000 Main Street, Swan River, MB R0L 1Z0

FISHERIES LOANS:

Box 1277, Hwy 9 & Colville Drive, Gimli, MB R0C 1B0
Box 10548, Opaskwayak, MB R0B 2J0
Bay 8, 1680 Ellice Avenue, Winnipeg, MB R3H 0Z2

CORPORATE PROFILE

The Communities Economic Development Fund is a Manitoba Crown Corporation, incorporated under the Communities Economic Development Fund Act (C155 of the Consolidated Statutes of Manitoba).

LEGISLATED MANDATE:

The Object of the Fund, as stated in section 3(1) of the Act is as follows:
"The object of the fund is to encourage economic development
(a) In Northern Manitoba, as defined by the Lieutenant Governor in Council by regulation;
(b) subject to the approval of the Lieutenant Governor in Council, in the fishing industry in the province, by acting as a lending authority and administering a loan program with respect thereto; and
(c) in conjunction with financial assistance provided by the Government of Canada under any economic development program to assist aboriginal people in the province outside The City of Winnipeg;
with particular emphasis on the needs of small business enterprises and community development corporations."

Section 3(2) of the Act states it shall do so through the provision of "financial and other forms of assistance":
"The fund may provide financial assistance and other assistance, as set out in subsection (3), to assist in the establishment of new economic enterprises and the development of existing economic enterprises."

The Act defines financial assistance as:
" "financial assistance" includes a loan or guarantee, a lease of personal property or real property, the purchase or sale of shares, assets or securities of a corporation, and the underwriting of the securities of a corporation;"

Other forms of assistance are defined in section 3(3) of the Act:
"The fund may provide, with or without charge,
(a) information and advice respecting the techniques, methods and practices required for the successful administration of economic enterprises;
b) training for individuals, including employees, managers and directors, in an economic enterprise; and
(c) conferences, seminars and other meetings for the promotion of good management practices in economic enterprises."

PROGRAMS:

In carrying out its mandate, the Fund provides loans and guarantees to small to medium enterprises and to the commercial fishery through its Business Loans and Fisheries Loans programs. It also provides support for community economic development through its CED programming – including the TEAM program and delivery of Rural Economic Development Initiative (REDI) programs. REDI programs are delivered under a Memo of Understanding (MOU) with Manitoba Agriculture, Food, and Rural Initiatives.

Fiscal 2009 has been a year of accomplishment and of loss.

In November of 2008, the Right Honourable Oscar Lathlin, Minister of Aboriginal and Northern Affairs and with responsibility for the administration of the Communities Economic Development Fund Act, passed away. Minister Lathlin was a strong supporter of CEDF and of Northern Development. His funeral at The Pas, Manitoba was attended by a huge cross section of community leaders from the North, and from across Manitoba and Canada. It was testimony to his accomplishments and to the consensus he promoted and achieved in the region.

The board and staff of the Communities Economic Development Fund wished to take this opportunity to acknowledge the support Minister Lathlin provided the Fund and to recognize the loss.

2009 IN SUMMARY:

In 2009, CEDF continued in its strategic plan to reduce its dependence on government through the integration of major cost centres and the identification of earnings opportunities and lowering costs. In doing so, CEDF is directed by its board to avoid reducing service.

In absolute terms, the strategy has been successful; CEDF's budget dependency on government has remained constant at $1.5 million, and while not reducing in numerical terms, has reduced in absolute terms as it has remained unchanged since 2001. New spending has been supported by new revenues or reduced cost areas.

Examples include:

- Reduced administration
- Earnings from managing trust funds
- Fee for Service revenue from contract work

One of the Fund's accomplishments during the year was completion of its head office building in Thompson. The building was brought in on budget and is a significant asset for the Fund, providing the opportunity for equity, future cost reduction (an example of integrating cost centres), and tenure of location.

During 2009, CEDF was sued by a former client and has incurred significant legal costs. In CEDF's opinion and in the opinion of its legal counsel, the claim is without merit. CEDF's auditors have prepared a disclosure note reflecting the ongoing nature of the claim and CEDF's continued success at all hearings to date. CEDF intends that the matter be brought to a successful close in 2010.

CEDF's Strategic Business Units remain:

- ***Administration*** - accounting, finance, management information services, and treasury management.
- ***Business Loans*** - providing loans and guarantees to economic enterprises.
- ***Fisheries Loans*** – providing loans to the commercial fishing industry.
- ***Community Economic Development*** - community level programming to assist northern communities in expanding economic opportunities.

Each business unit is measured on key objectives which are noted below with outcomes:

ADMINISTRATION

The unit has 1.5 staff years in addition to the CFO (who also has responsibility for the Fisheries Loan Program), and as noted, is responsible for providing accounting and administrative support to the organization. In addition, the unit manages CEDF's treasury supply.

Accounting Objectives:

- Budget management – As noted, CEDF was on budget for the ninth consecutive year. Core budgets remain unchanged since 2001.
- Timely reporting of performance and regulatory reporting - CEDF has met its filing objectives throughout the year and has provided regular (monthly) reporting to Board and management.

The Treasury function is critical to CEDF; all funds used in loan programs are borrowed from the Province of Manitoba. Treasury is responsible for ensuring an adequate supply of capital to meet needs as well as to arrange CEDF's corporate borrowing at competitive rates allowing it to manage margin and the cost to clients. The key objectives and outcomes of Treasury Management are:

- Obtain capital at rates enabling the Fund to offer stable rates at market levels – the Fund routinely confirms its rates in the market place and offers loans at competitive rates.
- Loan margin budget target -- the budget objective for fiscal 2009 was 2.5% - the Fund achieved net returns of 2.74% on the portfolio. The positive variance is due in large part to income from trust accounts under management.

During 2010, the unit plans to complete upgrading of CEDF's loan software and to work with program units to review and refine current reporting systems.

BUSINESS LOAN PROGRAM:

The Business Loan Program is a source of capital in Northern Manitoba. The program provides loans to northern businesses, accepting higher risk than would be acceptable to conventional lenders. In doing so, CEDF encourages the development of businesses and services that might not otherwise be available in the region. CEDF can also provide loans when working in conjunction with federal programs, to Aboriginal clients throughout Manitoba, but excluding Winnipeg. CEDF business loans are fixed asset based capital, secured by conventional financial instruments and are made at market rates.

Program Objectives:

- $5 million in annual loan activity – during fiscal 2009 the Fund approved $2.59 million in new loans; an increase in activity from the previous year (2008-$1.69) but continuing at lower than projected levels. The primary area of concern for CEDF remains reduced activity in the forestry sector, and to some extent, the tourism sector. Factors related to the US housing market as well as reduced demand for commodity products, such as newsprint, continue to affect the forestry sector nationwide. The tourism industry has begun to feel the effect of the global economic slowdown and this has translated into reduced capital investment. CEDF continues to assist its client base in affected industries, and expects continued improvement in activity levels in the next fiscal year.
- Account management to reduce loan losses – during fiscal year 2008/2009, CEDF's loan loss provision was $175,832 or 6.78% of loan activity, down from the previous year. CEDF continues to value its portfolios aggressively, adopting the approach of conservatism in valuation. Loan loss provisions for the year for both programs remain within budget.
- Examine new financial products – CEDF has not developed any new product offerings.

During 2008/2009, CEDF recruited one new staff position and completed the reassignment of accounts and territories.

At year end, the Business Loan Program portfolio stood at $11.98 million, down from $12.55 million in 2008 due to reduced demand as noted.

FISHERIES LOAN PROGRAM:

The Fisheries Loan Program can provide capital to activities related to the commercial fishing industry throughout Manitoba. Loans can be for the purposes stated in regulation – for the "harvesting,... growing, processing or selling fish, or products related to fish that are harvested or grown in the province". CEDF's core product in this area is the loan program for commercial fishers, the Fisheries Loan Program. Fishers can access a line of credit to purchase or repair the assets required to conduct a viable commercial harvest.

CEDF's loans are provided at competitive rates and are secured by the commercial fishing assets of the harvester. Loans are repaid by an assignment of fish catch proceeds at FFMC and its agencies. This payment arrangement is essential to CEDF and to fishers in areas lacking retail banking facilities.

The fishery in Manitoba remained strong in 2009; loan activity increased slightly and fishers continue to enjoy record harvests on Lake Winnipeg.

Program Objectives:

- Lending activity $4.5 million annually – New lending activity during 2008/09 was $4.27 million, which is consistent with 2008 ($4.29 million).
- Successful loan management practice – Management made a loan loss provision of $105,000 this year. As noted under the Business Loan Program, the combined loan loss provision for the programs are within budget.

COMMUNITY PROGRAMS:

CEDF Community Programs section provides assistance that is designed to spur economic and community development activities in northern Manitoba communities. This assistance includes facilitating the local prioritization of community needs, and supporting the resulting research, proposal development, sourcing funding, and project management.

The goals of CEDF Community Programs are in two categories:

Community:

- Provide assistance that supports the community economic development activities of northern Community Development Corporations (CDC) and communities;
- Identify and provide supports to northern community economic development practitioners.

Micro Enterprise:

- Assist northern entrepreneurs in developing their businesses at the micro/community level.

CEDF Community Programs supports and encourages CDC's to initiate and manage the various phases of project development in their communities. A wide assortment of relevant training material has been developed by CEDF Community Programs for the purpose of assisting northern community economic development practitioners in this work.

CEDF Community Programs also delivers the Rural Economic Development Initiative (REDI) programming in northern communities under contract to Manitoba's Agriculture, Food and Rural Initiatives (MAFRI). Popular REDI programs in the north include the Young Rural Aboriginal Entrepreneurship Program and Hometown Manitoba programs including Meeting Places, Main Street Enhancements and Tree Planting. Entrepreneurs, upon determining their financial needs, are often assisted with introductions to the CEDF Business Loan Program.

As part of its re-organization of this unit, staff assisted in developing a business plan and strategy to provide support to the non-timber forest products industry. Funding was recently announced through both MAFRI and Manitoba Aboriginal and Northern Affairs to pursue this initiative. During the upcoming year, the TEAM program will be redesigned to emphasize the support of traditional and non-timber based microenterprise.

LOANS APPROVED

AMOUNT	NAME	BUSINESS	LOCATION	RATE	TERM
$144,555	5049032 Manitoba Ltd. (MacLean)	Transportation	Thompson	7.08%	120
$789,265	5049032 Manitoba Ltd. (MacLean)	Transportation	Thompson	7.98%	48
$197,715	5414556 Manitoba Ltd. (FDKL)	Agricultural Spraying	Ochre River	6.50%	72
$30,000	Albert, David	Sewage Truck	Norway House	8.13%	36
$14,125	Anderson, John & Vernon	Towing	Norway House	8.13%	36
$50,000	Arctic Property Solutions Inc.	Housing Contractor	Leaf Rapids	7.17%	60
$12,605	Bracegirdle, Robert	Log Hauling	The Pas	7.98%	12
$66,142	Dionne, Kelvin & Lori	Gas/Confectionery	Wanless	7.13%	120
$108,051	Fourre, William R.	School Bus	Wabowden	8.18%	60
$150,000	Gold Trail Lodge (2003) Ltd.	Hotel/Restaurant	Thompson	7.18%	36
$10,650	Hatley, John & Andrea	Outfitters/Tourism	Thompson	7.18%	48
$26,133	Homeniuk, Stanley & Helen	Gas/Confectionery	Benito	7.68%	24
$51,175	LaFramboise, Guy & Wendy Popika	Small Engine Repairs/Sales	The Pas	7.19%	57
$20,725	Morrisseau, Richard	Contracting	Thompson	8.76%	48
$21,740	Mud Lake Logging Ltd.	Forestry/Logging	Wabowden	8.76%	12
$51,900	North Interlake Contractors Ltd.	Construction	Riverton	8.17%	36
$47,792	Ochekwi-sipi Economic Developmt Corp.	Wireless Hi-Spd Internet	Koostatak	7.80%	48
$22,755	Saunders, Delbert Glen	Truck/Trailer	Norway House	8.08%	36
$15,650	Saunders, Delbert Glen	Truck/Trailer	Norway House	7.98%	24
$35,950	Saunders, Patrick	Water Truck/Delivery	Norway House	8.08%	36
$49,836	Sinclair, Edwin	Trucking/Hauling	Cross Lake	8.18%	36
$11,063	St. Jacques, Kim & Sam Dalton	Medical Supplies	Thompson	7.80%	24
$25,875	St. Jacques, Kim & Sam Dalton	Medical Supplies	Thompson	7.58%	36
$24,117	Sweeny Enterprises Ltd.	Aircraft Charter Service	Thompson	8.09%	84
$33,467	Therens, Len & Connie	Construction	Swan River	7.58%	48
$274,093	Wilson, Harold	MedEvac	Norway House	7.18%	60
$2,285,379	Total Active Loan Approvals - 26 clients				
$304,818	Loans Approved/Withdrawn (unlisted) - 1 client				
$2,590,197	Total Approvals - 27 clients				

HISTORICAL
BUSINESS LOANS/JOBS CREATED

YEAR APPROVED	AMOUNT APPROVED	APPLICATIONS APPROVED	JOBS CREATED AND/OR RETAINED
1972 - 1980	$7,583,920	293	901
1981	1,180,740	34	120
1982	2,800,140	46	176
1983	2,138,275	31	138
1984	2,080,595	49	144
1985	2,326,548	63	172
1986	2,909,735	43	159
1987	3,573,294	66	215
1988	3,550,050	70	210
1989	725,243	22	31
1990	1,681,090	38	136
1991	1,737,344	30	80
1992	1,183,686	19	102
1993	5,406,375	36	120
1994	1,427,220	21	88
1995	4,811,247	51	135
1996	6,134,635	64	252
1997	4,321,829	53	198
1998	4,387,457	45	230
1999	5,188,498	41	178
2000	2,062,664	36	165
2001	2,797,419	28	170
2002	2,787,386	28	166
2003	5,174,099	39	213
2004	4,721,154	41	267
2005	2,834,888	33	359
2006	4,961,588	35	155
2007	4,123,999	31	233
2008	1,687,381	27	242
2009	2,590,197	27	132
	$98,888,696	**1,440**	**5,887**

PERFORMANCE DATA

	2009	2008	2007	2006	2005
No. of Loans Approved - Business	27	27	31	35	33
Dollar Value - Business	2,590,197	1,687,381	4,123,999	4,961,588	2,834,888
No. of Loans Approved - TEAM	0	0	0	1	1
Dollar Value - TEAM	0	0	0	1,352	3,000
Dollar Value - Fish Approvals	4,268,577	4,290,014	4,447,258	3,587,401	3,824,575
No. of Active Loans - Business	135	141	128	125	133
No. of Active Loans - TEAM	0	0	3	18	21
No. of Active Loans - Fish	1,280	1,309	1,154	1,180	1,207
Portfolio Value - Total	25,938,282	26,306,974	26,272,414	24,042,119	25,090,244
Bad Debt Expense - Business	175,832	706,893	427,803	369,874	473,308
As a percentage of Approvals	6.79%	41.89%	10.37%	7.45%	16.70%
Bad Debt Expense - Fish	105,000	0	200,000	131,500	86,662
As a percentage of Approvals	2.46%	0%	4.50%	3.66%	2.27%
Total Subsidy	1,505,556	1,514,164	1,514,164	1,513,839	1,514,322
Subsidy as a percentage of Approvals	21.95%	25.33%	17.67%	17.70%	22.73%

ECONOMIC IMPACT

The Fund continues to face numerous challenges to maintain its primary function and at the same time deliver a professionally managed development agency for economic expansion including the number of jobs created and maintained.

We present the following data which reflects our impact on the regional economy within our mandated area.

JOBS

Number of persons directly employed in businesses supported by Fund loans:[1]	899
Number of fishers supported by Fund loans:[2]	1,107
Total Employment:	2,006

REVENUES

Total revenue of Business Loan clients:[1]	$47,399,488
Total revenues of Fisheries Loan clients (before final payments and transfer income):[2]	16,310,856
Total Revenue	$63,710,344
Direct Wages Paid[1]	$14,668,639

[1] Data is drawn from material financial statement provided by clients and from on-site observations by Fund staff during the annual account review.

[2] Data is drawn from payments provided to Fund and from active accounts within loan ledger.

AUDITORS' REPORT

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

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Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
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To the Directors of
COMMUNITIES ECONOMIC DEVELOPMENT FUND

We have audited the statement of financial position of COMMUNITIES ECONOMIC DEVELOPMENT FUND as at March 31, 2009 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 14, 2009

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario
BDO Dunwoody s.r.l. est une société à responsabilité limitée constituée en Ontario

STATEMENT OF FINANCIAL POSITION

March 31	2009	2008
ASSETS		
Current Assets		
Cash	$138,765	$266,042
Trust deposits Province of Manitoba	513,295	281,197
Due from the Province of Manitoba (Note 3)	2,350,535	1,970,351
Accounts receivable	124,393	55,611
Property held for resale	4,425	4,513
Prepaid expenses	4,361	4,707
	3,135,774	2,582,421
Loans receivable (Note 4)	20,755,975	21,261,404
Capital assets (Note 5)	1,088,355	105,638
	$24,980,104	$23,949,463
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$487,631	$717,741
Interest payable to the Province of Manitoba	525,352	512,697
	1,012,983	1,230,438
Commitments (Note 6)		
Accrued pension liability	1,994,336	1,895,420
Advance by the Province of Manitoba (Note 7)	21,972,785	20,823,605
	$24,980,104	$23,949,463

Approved on behalf of the Board

Director: A. Westdal

Director: Bill Comacchi

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS

For the year ended March 31	2009	2008
Revenue		
Loan interest		
TEAM	$ -	$ 136
Business program	755,523	771,127
Fisheries program	1,097,595	1,243,137
Investment income	48,358	52,086
	1,901,476	2,066,486
Cost of Funds		
Interest paid to the Province of Manitoba		
Business program	573,726	530,052
Life insurance	79,933	77,924
Trust line of credit	68,817	107,596
Fisheries program	549,071	616,693
Other	-	13,001
	1,271,547	1,345,266
Gross margin	629,929	721,220
Operating expenditures (Page 17)	1,972,644	1,629,197
	(1,342,715)	(907,977)
Other income - administration fees	108,992	100,414
Deficiency of revenue over expenditures before provision for doubtful loans	(1,233,723)	(807,563)
Provision for doubtful loans regular operations	280,832	706,893
Deficiency of revenue over expenditures before subsidy due from the Province of Manitoba	(1,514,555)	(1,514,456)
Subsidy due from the Province of Manitoba	1,514,555	1,514,456
Excess of revenue over expenditures for the year	$ -	$ -

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Deficiency before subsidy	$ (1,514,555)	$ (1,514,456)
Adjustments for		
Amortization of capital assets	8,316	6,019
Provision for doubtful loans	280,832	706,893
	(1,225,407)	(801,544)
Accounts receivable	(68,782)	50,683
Accrued interest receivable	(51,748)	(61,419)
Prepaid expenses	346	9,283
Accounts payable	(230,110)	(345,427)
Accrued interest payable	12,655	107,499
Accrued pension liability	98,916	129,824
	(1,464,130)	(911,101)
Cash Flows from Financing Activities		
(Increase) decrease - Due from the Province of Manitoba	(380,184)	134,552
Increase (decrease) - Advance by the Province of Manitoba	1,149,180	(213,702)
Subsidy - Province of Manitoba	1,514,555	1,514,456
	2,283,551	1,435,306
Cash Flows from Investing Activities		
Loans receivable, net of repayments	549,599	(239,977)
Purchase/construction of capital assets	(1,032,189)	(96,822)
Property held for resale	88	366
Trust deposits	(232,098)	(273,571)
	(714,600)	(610,004)
Net increase (decrease) in cash and cash equivalents	104,821	(85,799)
Cash and cash equivalents, beginning of year	547,239	633,038
Cash and cash equivalents, end of year	$652,060	$ 547,239
Represented by		
Cash	$138,765	$ 266,042
Trust deposits - Province of Manitoba	513,295	281,197
	$652,060	$ 547,239
Supplementary Information		
Interest paid	$ (1,197,282)	$ (1,199,851)
Interest received	1,800,738	2,180,387

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MARCH 31, 2009

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Financial Instruments

The Fund recognizes and measures financial assets and financial liabilities on the Statement of Financial Position when they become a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, loans and receivables, held-to-maturity, available for sale or other financial liabilities.

Transaction costs for financial instruments are capitalized and then amortized over the term of the instrument using the effective interest rate method.

The corporation classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash	Held for trading	Fair value
Trust deposits	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Due to/from related parties	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment. Loans considered uncollectible are written-off. Recoveries on loans previously written-off are taken into income. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

Allowance for Doubtful Loans

Business Loan Program - The loans are reviewed quarterly to assess potential impairment or loss of value. Impaired loans are defined as those which are greater than two payments in arrears and for which the value of realizable security is less than the value of the loan outstanding. In these cases, a "specific" allowance is accrued equal to the value of the potential security shortfall or impairment. In all other cases, including loans that are both current and for which there is excess security value, a "non-specific" allowance equal to 5% of the outstanding loan balance is recorded.

Fisheries Loan Program - The allowance for doubtful loans on fisheries loans and interest receivable is calculated based on the present value of future cash flows for those loans which, if they maintain their past payment history, will fail to retire their debt completely within the agreed term. The net present value ("NPV") formula used for calculating the allowance for doubtful loans is recognized by the Canadian Institute of Chartered Accountants, however, it does not account for closure of a fishery or regulated reduction of production. In the event of the closure of a fishery or regulated reduction of production, the NPV formula may not adequately provide for doubtful loans.

Revenue Recognition

Interest on loans is recorded as income on an accrual basis except for loans which are considered impaired. When a loan becomes impaired, recognition of interest ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount of the underlying security. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

Pension Expense and Obligation

The employees of the Fund are not members of the Civil Service of the Province of Manitoba but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. The current pension expense consists of the employer's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary. The most recent actuarial valuation as at December 31, 2007 indicated the accrued liability is in line with the obligation forecast in the report.

In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year, the Fund has recorded a provision to fund current service obligations.

The total liability as at March 31, 2009 amounts to $1,994,336 (2008 - $1,895,420).

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated on a straight-line basis as follows:

Building	2%
Office furniture and equipment	10 to 30%
Parking Lot	50%

Future Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Fund, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Fund is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Financial Statement Presentation by Not-for-Profit Organizations

Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Fund is currently assessing the impact of the new standard.

Disclosure of Related Party Transactions by Not-for-Profit Organizations

Section 4460 has been amended to make the language in Section 4460 consistent with related Party Transactions, Section 3840. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The Fund is currently assessing the impact of the new standard.

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

1. NATURE OF THE FUND

The Communities Economic Development Fund was established in 1971 (Ch. C155) as a Crown Corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. With an act revision passed in July, 1991, the objective of the Fund was set to encourage economic development in Northern Manitoba, to act as a lending authority in the fishing industry in the Province of Manitoba and to provide financial assistance to Aboriginal people in the Province outside the City of Winnipeg. The Business and Fisheries Loan Programs are administered under the C.E.D.F. Act.

2. CHANGE IN ACCOUNTING POLICY

On April 1, 2008, the Fund adopted Section 1535, "Capital Disclosures". This Section requires that an entity disclose information that enables the users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosure of any externally imposed capital requirements and the consequences of noncompliance. The adoption of this Section required that information on capital management be included in the notes to the financial statements. This disclosure has been made in Note 12, Capital Management.

3. DUE FROM THE PROVINCE OF MANITOBA

Annually, the Province of Manitoba provides a grant to cover the Fund's anticipated subsidy requirements for the year. The amount of $2,350,535 (2008 - $1,970,351) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	2009	2008
Department of Aboriginal and Northern Affairs		
Subsidy (refundable)	$ 188,429	$ (248,032)
Order in Council pending	107,281	258,244
Pension (unfunded)	1,973,284	1,876,021
Pension (funded)	16,141	18,718
Severance accrual (unfunded)	65,400	65,400
	$ 2,350,535	$ 1,970,351

4. LOANS RECEIVABLE

	2009	2008
Business Loan Program		
- Interest rates applied range from 4.125% to 5.5%		
Principal	$ 11,189,982	$ 11,849,346
Accrued interest	793,581	700,878
	11,983,563	12,550,224
Allowance for doubtful loans (Note 8)	2,050,981	2,019,245
	9,932,582	10,530,979
Fisheries Loan Program		
- Interest rates applied range from 4.125% to 5.25%		
Principal	12,904,372	12,665,450
Accrued interest	1,050,348	1,091,302
	13,954,720	13,756,752
Allowance for doubtful loans (Note 8)	3,131,327	3,026,327
	10,823,393	10,730,425
	$ 20,755,975	$ 21,261,404

The following schedule provides the gross amount of loans together with the loan allowances:

	2009		2008	
	Gross Loan Balances	Total Allowance	Gross Loan Balances	Total Allowance
Business Loan Program				
Impaired	$ 2,340,180	$ 1,607,266	$ 2,340,180	$ 1,571,687
Performing	9,643,381	443,715	10,210,042	447,558
	11,983,561	2,050,981	12,550,222	2,019,245
Fisheries Loan Program				
Impaired	$ 3,131,327	$ 3,131,327	$ 3,026,327	$ 3,026,327
Performing	10,823,393	-	10,730,425	-
	$ 13,954,720	$ 3,131,327	$ 13,756,752	$ 3,026,327

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Office furniture and equipment	$ 148,640	$ 115,847	$ 32,793	$ 13,156
Building	931,236	4,656	926,580	-
Land	92,482	-	92,482	92,482
Parking Lot	73,000	36,500	36,500	-
Total	$ 1,245,358	$ 157,003	$ 1,088,355	$ 105,638

6. COMMITMENTS

Loan Commitments

	2009	2008
Undisbursed balance of approved loans	$ 1,578,621	$ 467,280

7. ADVANCE BY THE PROVINCE OF MANITOBA

	2009	2008
Business Loan Program (Note 9)	$11,261,380	$ 10,705,422
Fisheries Loan Program (Note 9)	9,711,405	10,118,183
Building mortgage	1,000,000	-
	$21,972,785	$ 20,823,605

The Fund obtains capital for the purpose of carrying out its mandate of providing financial assistance in the form of loans and guarantees through loans provided by the Department of Finance. Term loans bear interest at the rates posted by the Department of Finance at time of issue. The Fund also has the option to draw funds on floating rates set periodically at the Royal Bank prime rate minus 3/4%. At year end, the Fund's instruments bore rates ranging from 4.10% to 5.75% with a weighted cost of capital of 4.56%.

8. ALLOWANCE FOR DOUBTFUL LOANS

The change in the allowance is accounted for as follows:

			2009	2008
	Specific	Non-Specific	Total	Total
Business Loan Program				
Balance, beginning of year	$ 1,571,687	$ 447,558	$ 2,019,245	$ 1,739,027
Provision for the year	179,675	(3,843)	175,832	706,893
	1,751,362	443,715	2,195,077	2,445,920
Loans written-off	(144,096)	-	(144,096)	(426,675)
Balance, end of year	$ 1,607,266	$ 443,715	$ 2,050,981	$ 2,019,245
Fisheries Loan Program				
Balance, beginning of year			$ 3,026,327	$ 3,140,168
Provision for the year			105,000	-
			3,131,327	3,140,168
Loans written-off			-	(113,841)
Balance, end of year			$3,131,327	$ 3,026,327

The provision for fish loan losses recorded by the Fund exceeds the value derived by the net present value formula as at March 31, 2009 by $374,081 (2008 - $266,810).

	2009	2008
Loan Loss Provision		
Per accounts	$ 3,131,327	$ 3,026,327
Per net present value calculation	(2,757,246)	(2,759,517)
	$ 374,081	$ 266,810

The commercial fishing industry is cyclical in nature and as a result, no adjustment has been made to the loan loss provision as at March 31, 2009.

9. LOAN PROGRAMS

Business Loan Program

The Communities Economic Development Fund is included under the Province of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance pursuant to "The Loan Act, 2008". The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council.

Advances from the Business Loans Program are accounted for as follows:

	2009	2008
Advances, beginning of year	$12,887,269	$ 11,737,235
Loan advances	2,590,197	1,687,381
Loan advance repayments	(1,950,543)	(406,925)
Loan write-offs	(107,281)	(130,422)
	13,419,281	12,887,269
Unfunded allowance, beginning of year	2,181,847	1,830,354
Provision for doubtful loans	175,832	706,893
Write-offs (Order in Council approved)	(199,417)	(355,400)
	$2,158,262	2,181,847
Net balance, end of year (Note 7)	$11,261,380	$ 10,705,422

Fisheries Loan Program

Advances to the Fisheries Loan Program are accounted for as follows:

	2009	2008
Advances, beginning of year	$13,240,135	$ 14,279,620
Loan advance repayments	(301,778)	(1,012,243)
Loan (write-offs)	(95,641)	(27,242)
	12,842,716	13,240,135
Unfunded allowance, beginning of year	3,121,952	3,149,194
Provision for doubtful loans	105,000	-
Write-offs (Order in Council approved)	(95,641)	(27,242)
	3,131,311	3,121,952
Net balance, end of year (Note 7)	$9,711,405	$ 10,118,183

10. LOAN ACT AUTHORITY

Amounts authorized for advances under "The Loan Act, 2008" are as follows:

	2009
Per Schedule A of "The Loan Act, 2008"	$ 5,150,100
Per Schedule B of "The Loan Act, 2007"	8,149,912
Direct loans	13,300,012
Authority used	6,850,000
Unused Loan Act capital available	$ 6,450,012

11. ECONOMIC DEPENDENCE

The ongoing operations of the Communities Economic Development Fund depends on obtaining adequate financing and funding. The Fund is dependent upon the Province of Manitoba for funding of operations.

12. CAPITAL MANAGEMENT

The Fund considers its capital to be comprised of advances from the Province of Manitoba. There has been no change to what the Fund considers to be its capital since the prior period.

The Fund manages its capital to ensure it retains sufficient cash resources to enable it to carry out its strategic plan. The Fund endeavours to manage its subsidy from the Province of Manitoba within $1,500,000 on an annual basis.

13. CONTINGENCY

The Fund has been named as a defendant in a statement of claim. At the time of preparation of these financial statements, the outcome of this claim is not determinable and, accordingly, no provision for settlement (if any) has been recorded in these financial statements. Settlement amounts (if any) will be charged to operations in the year of settlement.

14. FINANCIAL INSTRUMENT RISK MANAGEMENT & EXPOSURES

There have been no substantive changes in the Fund's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or methods used to measure them from previous periods.

The Board has overall responsibility for the determination of the Fund's risk management objectives and policies and has identified significant exposure to credit risk.

Credit Risk

Credit risk is the risk of loss to the Fund if a counterparty to a financial instrument fails to meet its contractual obligations. The Fund has significant outstanding loans and is mainly exposed to credit risk through the credit quality of the individuals and businesses to whom the fund has loaned funds.

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Fund takes into consideration the individual's ability to pay, and value of collateral available to secure the loan. The Fund's maximum exposure to credit risk, without taking into account any collateral or other credit enhancements is $20,755,975 ($21,261,404 in 2008).

Interest Rate Risk

Interest rate risk is the impact that changes in market interest rates will have on the operations of the Fund. The Fund holds $21,269,270 ($21,542,601 in 2008) in interest bearing deposits and loans receivable at March 31, 2009. The Fund has mitigated this risk by adjusting interest rates for fish loans on a quarterly basis and interest rates for business loans on a monthly basis based on its weighted average cost of capital.

Fair Value

The carrying values of cash, trust deposits amounts due from the Province of Manitoba, advances, accounts receivable and accounts payable and accrued liabilities and interest payable to the Province of Manitoba approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The fair value of loans receivable are not practical to determine due to the limited amount of comparable market information available and the uncertainty of the timing of cash flows of the loans. The carrying value of the accrued pension liability approximates the fair value as an annual calculation and update of the liability is done.

SCHEDULE OF OPERATING EXPENDITURES

For the year ended March 31	2009	2008
Amortization of capital assets	$49,472	$ 6,019
Building expenses	47,408	62,986
Collection costs	177,632	35,811
Communications	41,148	44,277
Credit reports	2,617	1,986
Directors' fees and expenses	60,023	56,616
Government vehicles	14,086	31,598
Insurance	4,529	1,535
Legal costs	151,563	5,582
Mortgage Interest	41,856	-
NFDC	51,556	19,898
Office supplies and expenses	29,389	19,687
Pension	184,262	180,609
Professional fees	72,125	25,500
Rent and utilities	68,276	97,062
Repairs and maintenance	4,529	-
Salaries and benefits	872,958	934,967
Sundry	22,321	20,570
TEAM	23,815	23,635
Travel	53,079	60,859
	$1,972,644	$ 1,629,197

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